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THE PLACE OF THE THEORY OF VALUE IN ECONOMICS.

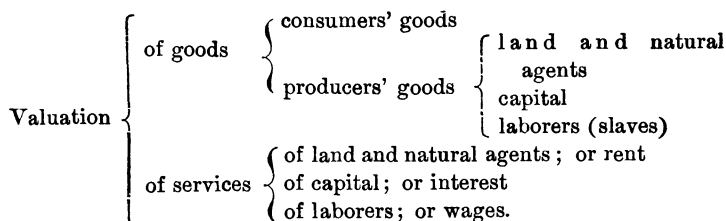
Professor Marshall has aptly defined economics as the study of man's actions in the ordinary business of life. Since the ordinary business of life consists in getting a living, it would be easy to change this definition so as to read, Economics is the study of man's efforts to get a living. Either of these definitions would imply that the science is concerned more with man's activities than with the things towards which those activities are directed; more with the ways of getting and using wealth than with the nature and forms of wealth. As a matter of fact, the student of economics cares only incidentally for a description and classification of the things which constitute wealth; but he wishes primarily to know the methods by which wealth is produced and utilized. In other words, economic activities, rather than economic goods, form the subject-matter of the science.

The reason for subdividing a science into departments is that it is easier to concentrate the attention upon a part of the subject than upon the whole. In order to fulfil this purpose, the subdivision must be such that in each department some definite part of the subject-matter is set off by itself for special study. If economic goods formed the subject-matter of the science, it would have to be so subdivided that each department would study some particular class of goods. If economic conditions formed the subject-matter, each department would study some particular set of conditions. But if economic activities form the subject-matter, then each department must set off some particular class of activities for special study. In other words, the subdivision of economics should be based upon a classification of economic activities.

One very important group of economic activities is directed towards the production of goods. If this be broadly defined as the process of adding utilities to things, it will include not only the activities of the producer in the ordinary sense, but

of the carrier, the storer, and the exchanger of goods. Another important group of activities consists in extracting the utilities from things, or in the consumption of goods. A third equally important group consists in the valuation of things. No one of these groups is independent of the others, else we should have three separate sciences; but each is sufficiently distinct to permit of special study. At the same time these three groups exhaust the category of economic activities, though each is capable of further subdivision.

These three classes of activities should therefore form the subjects of the three main divisions of the science,—production, consumption, valuation. The order in which these subjects should be treated and the subdivisions of each would depend upon the interests and the purposes of the individual writer. As a tentative suggestion as to the subdivision of the subject of valuation, the following outline is submitted:—



In this outline no place is found for the profits of business for the reason that the services of the business man are never actually evaluated. Profits are, from this standpoint, distinctly a residual share. These services are never bargained for, no price is actually set upon them: the business man simply takes what is left after other goods and services are paid for according to a definite principle of valuation.

The present writer would be the last to belittle the importance of the psychical side of economics; but the foregoing discussion will, it is hoped, help to make it clear that economics is not primarily a psychical science. The psychical element predominates only in the department of valuation. It is obviously out of place here to open up the general question of the nature of the science; but it may be permissible to express the hope that economics may remain, as it always has been, a

concrete science, whose aim is to explain the facts of economic life as they are seen and experienced, first in our own economic environment and then in the world at large. If this is to be the nature of the science, and if it is not to become an abstract theory whose aim is to follow the workings of a single principle under all possible conditions, then the words "static" and "dynamic" cannot properly designate any of the main divisions of the science. Few special studies could be more useful to the science than a detailed investigation of the operation of a single principle of action through all possible circumstances, real or imaginary. Such a study would add greatly to our ability to explain the concrete facts of economic society. But it is sincerely to be hoped that such a special study will not be mistaken for the science of economics.

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